



Wyoming
Association of
Municipalities
Building Strong Communities



Financial Management: Expenditures & Revenue

2023 LOCAL GOVERNMENT LEADERSHIP
CORE COURSE

Course Objectives

1

Learn the basics for handling money, and become familiar with resources

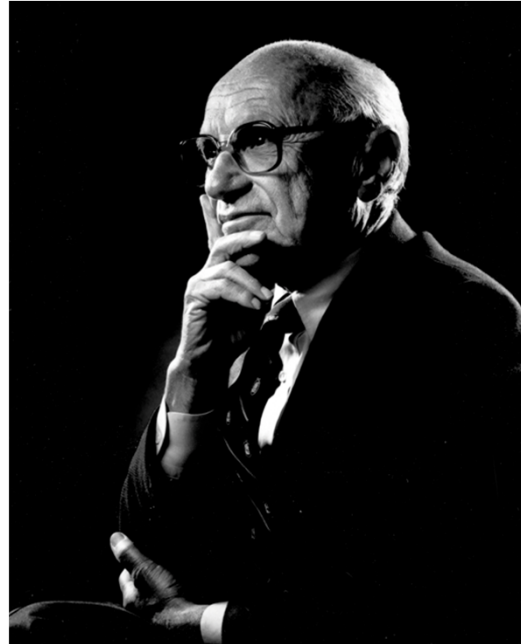
2

Understand your oversight role with internal control processes

“...when a man spends someone else’s money on someone else, he doesn’t care how much he spends or what he spends it on.

And that’s government for you.”

- Milton Friedman



Many people would agree with Milton Friedman’s cynical view of government spending. In fact, it is sentiment like this that has led to many of the strict accountability requirements that have been imposed on local governments.

<i>When buying something ...</i>	<i>using your own money</i>	<i>using someone else's money</i>
<i>for yourself</i>	High concern for quality and cost	High concern for quality, low concern for cost
<i>for someone else</i>	Low concern for quality, high concern for cost	Low concern for quality, low concern for cost

Milton Friedman's comments are based on an admittedly simplistic view of spending. Individual spending is in top left quadrant; government spending is in the bottom right quadrant.

Municipal government exists to provide public services and facilities a community wants and needs. These are services and facilities reasonably provided by a local government rather than by individuals or through the private market. Just as a private corporation has stockholders, municipal corporations are accountable to the voters, residents, and business owners of a community.

Local government services and programs cost money. The people who work for cities and towns must be paid. Buildings, equipment and supplies for conducting public business must be provided. Streets, sewers, parks and other facilities need to be built and maintained.

The funds controlled by a city or town are public funds – they cannot be used for the personal interest of any elected official or public employee, or given to any private interest. The source of these funds and how they are managed and used is of critical importance to any community.

Applicable Wyoming Statutes

15-1-103(a)(vii): Governing bodies of all cities and towns control the municipality's finances

16-4-101 et seq: Uniform Municipal Fiscal Procedures Act

- Preparation, maintenance and retention of required records and accounts
- Preparation of independent audits of the financial condition of the municipality
- Power to appropriate money and to pay all necessary expenses
- Power to levy and collect special assessments
- Power to borrow money on the credit of the corporation

The legal framework for Wyoming Municipal Corporations is set forth in Article 13 of the Wyoming Constitution. Section 1 requires the legislature to provide for the incorporation of cities and the ways city and town boundaries may be altered through annexation. Most importantly, this section establishes the constitutional mandate of local self-government authority, known as "home rule." **Home rule simply put is the delegation of power from the state to its sub-units of governments** (including counties, municipalities, towns, etc.). That **power is limited** to specific fields and is subject to constant judicial interpretation.

Title 15 of the Wyoming State Statutes "Cities and Towns" details the general powers of cities and towns, explains how to hold your council meetings, how to enter into contracts, and plan for the growth of your community, to name just a few.

Title 16, Chapter 4 covers the Municipal Fiscal Procedures Act that many communities must abide by. All incorporated First Class Cities, towns with a population in excess of four thousand (4,000) and all towns operating under the City Manager form of government are required to conduct their financial matters in compliance with this Act.

Your town or city may also have a charter and a Municipal Code. You should develop a familiarity with these documents and know where to find the information you need.

Check WAM Agenda for Jan. 26, 4:00 p.m. – 4:45 p.m.
Mandatory Fiscal Training Program, Brian Wilson, Wyoming Department of Audit

CHANGE IS HERE! State now requires fiscal training for all Public Officers (including municipalities)

Topics	Description
Fiscal responsibilities	Understanding Public Officer roles
Depositories	Authorized depositories and organizational responsibilities, selection, managing
Meeting minutes	What are meeting minutes and what should be maintained in meeting minutes.
Records management	What records should be maintained, retention, and what is public
Reporting Requirements	All reporting requirement for both federal and state.
Internal Controls	Controls established by the board/council, policies, procedures, Segregation of Duties, etc.
Investments	Authorized Investments, Investment Policies
Payroll	What Payroll documents are needed and maintaining them, How to determine contract labor versus an employee. W-4s, I-9s, 1099, etc.
Suggested Self-Audit procedures	Self-assessment -- Risk assessment
Grants	State and Federal Grants, how to track, what would require CPA audits
Public Meetings Req's	How to run a public meeting, what should the board or council expect in financial reports and how to evaluate them.
Public Records req's	This is a subset of records management.
Specific bid requirements	Understand the bidding process, advertising, closed bid, open bid, public openings, selection, etc.
Ethics	W.S. 9-13-101 et seq.

**CHAPTER 10
PUBLIC OFFICER TRAINING**

Section 1. Application. As prescribed by Wyoming Statute 9-1-510(a), the Department of Audit shall establish minimum training requirements for public officers. These rules apply to all public officers as the term is defined in W.S. 9-1-510(a).

Section 2. Training deadline. All public officers shall receive instruction in accordance with the minimum training requirements set forth herein within one (1) year of assuming office or assuming responsibility for handling the accounts of their office.

Section 3. Training requirements. Required training shall be dependent on the role a public official has in the governmental entity.

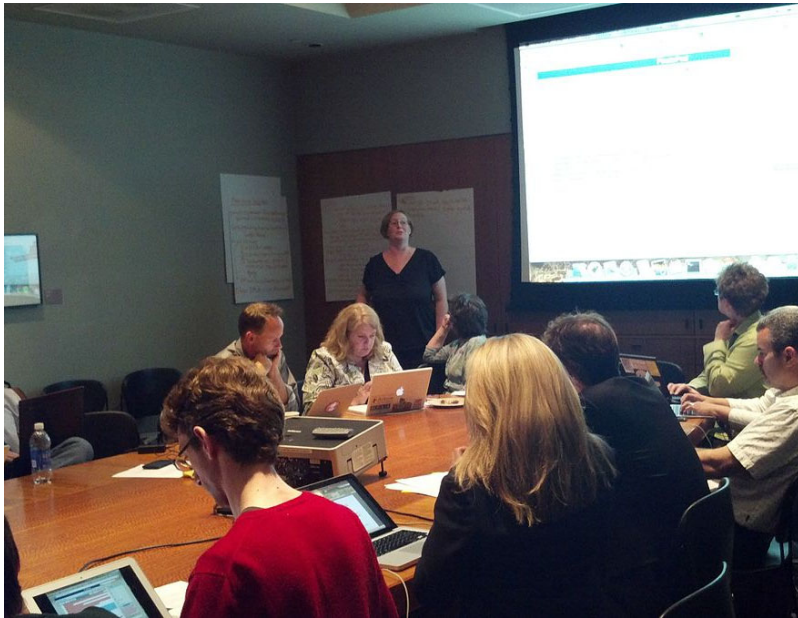
(a) A list of the minimum training requirements for certain specified roles shall be published on the Wyoming Department of Audit, Public Funds, website <http://audit.wyo.gov/public-funds/>. The Wyoming Department of Audit, Public Funds shall also publish a separate list that include organization, courses, and professional memberships offering related training content. The list of training requirements may include items related to government which are not specifically covered in certain graduate or professional certification programs. These lists establish a minimum level of competency related to the financial management of a governmental entity.

(b) Notwithstanding subsection (a) of this Section of this Chapter of these Rules, a public officer having obtained one or more of the following graduate degree or professional certification programs shall be considered by the Department of Audit as having met the minimum training requirements:

- (i) Bachelor degree in accounting or finance;
- (ii) Master degree in accounting or finance;
- (iii) Certified Public Accountant (CPA);
- (iv) Certified Internal Auditor (CIA);
- (v) Certified Management Accountant (CMA); and
- (vi) Certified Government Financial Manager (CGFM).

Section 4. Alternate Considerations. If the public officer has an educational background not listed in Section 3 of this Chapter of these Rules they feel meets the minimum training requirements, the public officer may request consideration by the Department of Audit of that educational background as being sufficient to meet the intent of the minimum training requirements of these rules. To be considered, the public officer shall prepare a written summary of the educational background to be considered and explanation as to how that background meets the

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Fiscally Competent Local Officials

Are concerned about their agency's fiscal condition

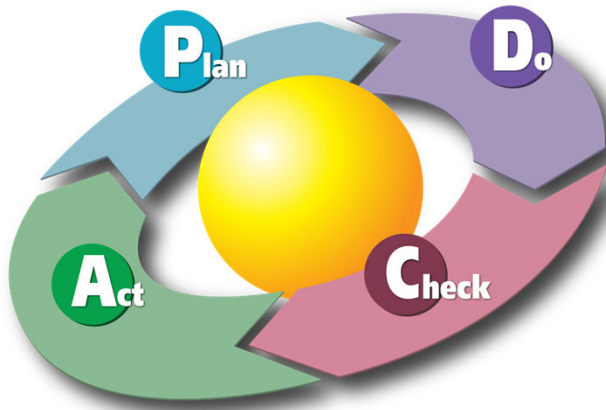
Seek to hold administrators accountable by asking tough questions – be informed!

Become knowledgeable about agency's finances and budget

Most important tools are inquisitive manner and common sense

Local government officials do not have to be financial experts or CPA's. However, they do need to be comfortable asking tough questions and understand the basic budgetary process and be able to digest fiscal reports.

Council Oversight Duties



Long-term - setting the mission, goals, and financial policies for the community

Annual - setting budget priorities, establishing salary and benefit levels

Constant - examining financial and budget reports; monitoring investments

Periodic - reviewing contracts, adopting budget amendments

Governing bodies have a number of financial oversight duties to their constituents. These range from long-term duties such as setting the mission and goals of the community to constant examination of financial and budget reports. Annual budgetary preparation and periodic review of contracts and projects are other financial duties.

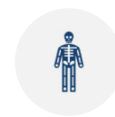
Tools & Guidance



Wyoming Governmental Entity Budgeting, Accounting, and Reporting Manual (WY Dept. Audit)



Wyoming Municipal Handbook (WY Dept. Audit)



Mayor-Council Handbook (WAM)



GASB Statement 34, Basic Financial Statements and Management's Discussion & Analysis (Governmental Accounting Standards Board)



COSO Internal Control Integrated Framework (Committee of Sponsoring Organizations of the Treadway Commission)

Additionally, official instructions and guidance for annual reports can be helpful for understanding the overall fiscal system.

F-32, Survey of Local Government Finances (US Census Bureau/WY)

To avoid duplication of effort, the annual census report currently being filed with the federal bureau of the census, or with the department, by all entities required to report to the department, will be utilized by the department to the extent possible to obtain the required revenue, expenditure and financial activity information.

F-36, Annual City & Town Financial Report Worksheet (WY Dept. Audit)

Each report shall contain a certificate, signed by the mayor and the treasurer for a city or town, verifying under oath that, to the best of their knowledge, the information contained in the report is a true, accurate and complete presentation of the financial activities of the reporting entity

2020 Electronic Budget Form (WY Dept. Audit)

For subsequent years: A new Excel spreadsheet is available on the Dept of Audit website

Wyoming Department of Audit-Public Funds Division

Department of Audit

Home Administration ▾ Banking Excise Tax ▾ Public Funds ▾ Mineral Audit

Resources

[Accounting Manual](#)

[Wyoming Special District Handbook](#)

For most current statutes refer to [W.S. 16-12 \(Chapter 12 - Special Districts\)](#).

[Census Bureau Classification Manual](#)

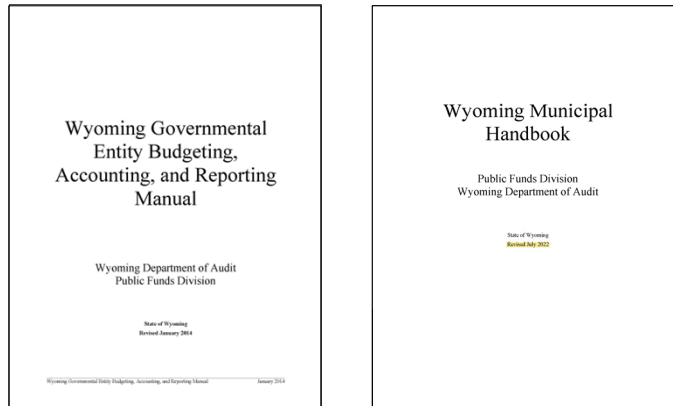
[Wyoming Municipal Handbook](#)

[Wyoming Association of Special Districts Online Training Platform](#)

- ▾ Audits
- Forms
- Online Reporting: Sur...
- Statutes
- Staff
- Resources**
- Legislative Reports
- Training - Public Offic...

<https://audit.wyo.gov/public-funds/resources>

What are the statutory fiscal management requirements?



Resources are online: <https://audit.wyo.gov/public-funds/resources>

State statutes control city and town expenditures in many ways. In all cities and towns, you can't spend money on anything that isn't included in your budget. The preparation and adoption of a budget is the responsibility of the governing body.

It's important to know that in governmental fund accounting, dollars earmarked for specific purposes in one fund (such as the water fund) cannot usually be used for other purposes (such as salaries in the police department). WAM has developed training materials on Municipal Budgeting and Municipal Finance that governing body members are encouraged to review to learn more about the mechanics of municipal finances and budgets.

Incorporated towns or cities with a population under 4,000 prepare their budgets in a format acceptable to the State Auditor. The governing body must pass an annual appropriation ordinance within the last quarter of the fiscal year, notifies the County Clerk of the required property tax mill levy and files a copy of the budget with the County Clerk. The statutes do not specify any particular budgeting or accounting procedures to be followed for towns of under 4,000 population. However, proper budgeting is essential for the conduct of public affairs. In addition, every city and town, regardless of size, must complete the Department of Audit Annual City and Town Financial Report.

Unless changed by charter ordinance, all communities with a population over 4,000, and all towns operating under the City Manager form of government must comply with the provisions of the Uniform Municipal Fiscal Procedures Act. This Act stipulates dates by which certain budgetary actions must occur, publication requirements and required contents of the municipal budget.

Wyoming Governmental
Entity Budgeting,
Accounting, and Reporting
Manual

Wyoming Department of Audit
Public Funds Division

State of Wyoming
Revised January 2014

Wyoming Governmental Entity Budgeting, Accounting, and Reporting Manual January 2014

Wyoming Governmental Entity Budgeting, Accounting, and Reporting Manual

Official State guidance for local government finance

Specifically highlights GASB 34, but also GASB 54,
GAAP and other accounting guidance

Addresses accounting concepts, budgets,
appropriations, uniform chart of accounts, source
documents, journals/ledgers, subsidiary records,
and control accounts

GASB Statement 34

Financial accounting standard issued by the Governmental Accounting Standards Board in 1999 (heavily amended since)

Provides comprehensive framework for financial reporting	Required (for 1 st time) that general infrastructure assets be included (roads, bridges, etc.)	Accrual basis; some flexibility from standard depreciation approach
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GASB 34 established three core reporting requirements:

Management's discussion and analysis (MD&A) comes first	Government-wide financial statements cover all assets/activities	Fund-level financial statements
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GASB White Paper: Why Governmental Accounting and Financial Reporting Is—and Should Be—Different

Wyoming Municipal Handbook

Detailed, specific direction for fiscal management

Addresses need for fiscal compliance, assigning specific fiscal responsibilities to individuals

Specifies use of Depositories (banks) and limits municipal investments

Identifies payroll responsibilities

Defines enterprise operations

Discusses role of council minutes, records management, and reporting requirements

Suggests self-audit procedures (esp. cash), COSO Internal Controls, CPA services

Appendix B – Internal Control Self-Assessment

Wyoming Municipal Handbook

Public Funds Division
Wyoming Department of Audit

State of Wyoming
Revised July 2022

Mayor-Council Handbook

2018 Edition



Wyoming
Association of
Municipalities
Building Strong Communities

315 West 27th Street, Cheyenne, WY 82001
307-632-0398 www.wyomuni.org

WAM Mayor-Council Handbook

Provides comprehensive look at the legal framework and requirements for operating municipalities

Chapters 10 addresses municipal financial administration, budgeting, auditing and purchasing

- Includes specific responsibilities for Clerk and Treasurer
- Extended discussion about purchasing
- Specific concern about conflicts of interest

<https://wyomuni.org/publications/>

Wyoming law distinguishes between cities and towns, based on population

Incorporated Towns

population under 4,000

Title 15, Chapter 2

First Class Cities

population over 4,000

Title 15, Chapter 3

Financial management and budgets are 2 key areas where City/Town size differences are significantly different



There are different statutes in effect depending on if a municipality is an incorporated town with a population under 4,000 (Title 15, Chapter 2) or a community with a population over 4,000 or defined as a First Class City under Wyoming State Statute Title 15, Chapter 3.



Requirements for Cities & City Manager Towns

Must comply with Uniform Municipal Fiscal Procedures Act (use guidance from Dept. of Audit)

- Financial staff must know and follow the rules - Examples:
 - Purchase orders
 - Cannot spend in excess of department appropriation
 - Claims required
 - Reporting requirements, GAAP/GASB requirements
 - Annual CPA audit

The financial books may be inspected at any time by any member of the governing body or other persons designated by law (W.S. 15-3-209).

All purchases or all encumbrances shall be made or incurred only upon an order or approval of the person (or governing body) authorized to make such purchases. (W.S. 16-4-107)

No officer or employee shall make any expenditure or encumbrance in excess of the total appropriation for any department. The budget officer shall report to the governing body any expenditure or encumbrance made in violation of this subsection. (W.S. 16-4-108 (a))

The expenditure of municipality monies, other than employee contract payments, may be authorized by the governing body when the payee has provided an invoice or other document identifying the quantity and total cost per item or for the services rendered and the claim is certified under penalty of perjury by the vendor or by an authorized municipal representative receiving the items or for whom the services were rendered. (W.S. 16-4-108 (b))

The governing body must see to it that a report of a semi-annual interim financial statement and an annual statement of the financial condition of the city is published.



Requirements for Towns (population under 4,000)

- Required to keep accounts of all money received/spent
- Identify source of all revenue
- Account for when and to whom money paid out
- Treasurer must provide quarterly financial reports to governing body
- Publish a summary of the budget and actual receipts and expenditures at end of each Fiscal Year
- May choose to have CPA audit, but not required (note that federal government can also require an audit)

In towns with a population under 4,000, the treasurer must keep accounts in such form that they show when the money is received and the source of it and when and to whom any money is paid out. All financial records of the city or town can be examined by any member of the governing body or elector of the town. The treasurer is responsible for providing at least a quarterly financial report to the governing body. (W.S. 15-2-203)

Immediately after the end of the fiscal year, the governing body shall publish (or post if no newspaper exists), an exhibit of the receipts and expenditures of the town. This exhibit must show the budgeted and actual receipts for all revenue sources, the amount and purpose of each appropriation, and the actual expenditure made against each appropriation. (W.S. 15-2-204).

Some towns choose to have a CPA audit, even though they are not required to do so. If a town under 4,000 population receives at least \$750,000 total in Federal grants or loans, they are also required to have a "single audit".



Reports provide operational insight and accountability

Example: Every local government must prepare Annual City and Town Financial Report

Summarizes all of government's financial activities – what it has received, borrowed, spent, obligated to spend, fund balance

CPA Audits are optional for smaller towns

The financial reporting helps local officials better understand the financial situation of their government. It also measures the accuracy of the government's financial dealings and informs citizens about their local government's financial condition. Lenders and regulators may rely on audits to verify how public funds are spent.

Keeping Track Of The Money

“Generally accepted accounting principles” for state and local governments

Designed to make municipalities fiscally accountable to public

Requires accrual accounting for governmental activities and capital assets

Depreciation requirements



Cash Basis	Accrual Basis
Revenues are recognized when cash is received and expenses are recorded when cash is paid .	Revenues are recognized when earned and expenses are recognized when incurred .

Accrual basis transactions are recorded when they occur regardless of when cash is received or disbursed. Modified accrual basis may be used where expenditures are recorded at the time liabilities are incurred and revenues are recorded when received. GASB 34 also requires that fixed asset records must be maintained by public entities. Capital assets are those assets that have a useful life extending beyond a single reporting period.



Fund Balances

All appropriations (excluding capital projects) lapse following the close of the budget year to the extent they are not expended

Can accumulate retained earnings in an enterprise fund or accumulate a fund surplus in any other fund

The most important thing to remember about fund accounting is that dollars earmarked for specific purposes in a fund usually cannot be used for other purposes. For example, money from the water fund cannot be used for police protection, and vice versa.



Fund Balance Reserves

- **Designated** – indication or preference for spending money, but can be changed
- **Reserved** fund balances are set aside for specific purposes (cannot be changed)
- **Unreserved** – fund balance that is available for appropriation or spending

A fund balance is legally defined as the cumulative difference of all revenues and expenditures since the government's creation. Thus, a current fund balance results from the cumulative financial decisions made by every governing body since the government's formation!

Positive fund balances are sometimes called reserves. However, not all of these funds are available for spending. Reserved fund balance is the term used to designate net financial assets that are set aside for specific purposes. Unreserved fund balances represent the amount available for appropriation or spending. Designated fund reserves do not carry the same status as reserved fund balances. Designations are indications or preferences that the money be used for a specified way but there is nothing to keep the governing body from appropriating the money for other purposes.



Reserve Policy

Fixed # months

% of Annual Operating Expense

% of Annual Operating Revenue

Fixed amount

Per capita amount

For policy, you should consider your needs, revenue volatility, disaster preparedness, etc.

To establish a reserve level, a municipality should consider:

Cash flow needs

Revenue volatility

Vulnerability to lawsuit

Insurance coverage

Natural disaster preparedness

Other natural events - snowstorms

Grant revenue source dependency

Depreciation

Depreciation allocates the cost of a tangible asset over its useful life

GASB 34 allows *modified* depreciation

Accrual accounting must be used

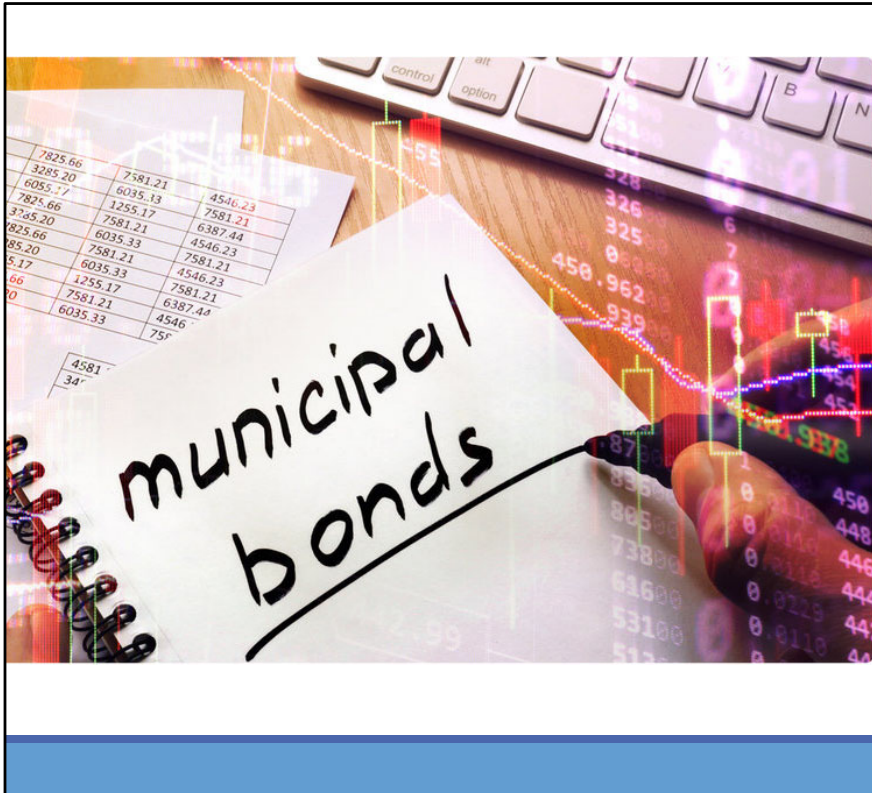
Capital assets include land, buildings, machinery, *infrastructure*, etc.



To manage fixed assets for a governmental agency, you need to follow the guidance issued by the Governmental Accounting Standards Board (GASB). GASB is the source of Generally Accepted Accounting Principles (GAAP) for state and local governments. Although GASB standards are not written into federal law, they are enforced either by state law or through the audit process.

Capital assets have a useful life beyond a single reporting period and include: • Land and land improvements. • Easements. • Buildings. • Vehicles. • Machinery and equipment. • Works of art and historical treasures. • Infrastructure*.

*Infrastructure assets have long lives and are usually stationary. Examples are roads, bridges, tunnels, sewer systems, and lighting systems. Unless part of a network of infrastructure assets (such as a toll booth), buildings are not included in this category



Borrowing

Wyoming law allows municipalities to borrow on credit of corporation and issue bonds

Subject to limitations in 15-7-109

Generally 30 years

Election requirements to approve bond

Limit - 4% of assessed valuation of taxable property

Revenue bonds are different – they are tied to amount generated by asset

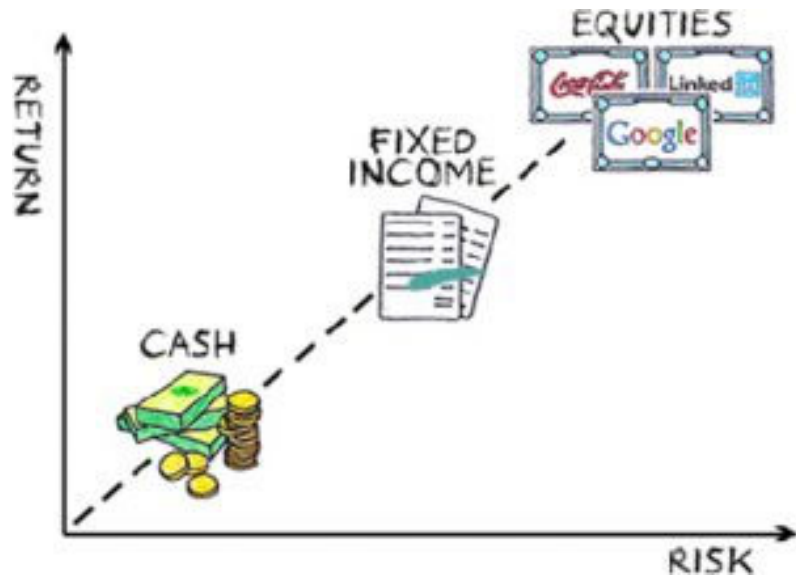
May borrow money and issue bonds to any amount not exceeding limitation provided in WSS 15-7-109 for public improvement purposes.

- Streets, water, sewer, power, fire, parks, recreation facilities
- GO bonds require public election

Investing

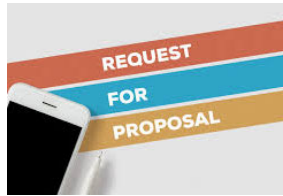
Municipalities are required to have a Statement of Investment Policy

- Maturity limits
- Types permitted
- Liquidity requirements
- Internal controls
- Reporting requirements



Municipalities are required to adopt a "Statement of Investment Policy." The investment policy should be clear about the types of investments permitted, maturity limits, liquidity requirements, internal controls, reporting requirements and portfolio diversity requirements. It should also be very clear on who has the authority to make purchases.

Purchasing



State statutes are limited with regard to purchasing

Centralization of all purchasing where possible

Establishment and maintenance of adequate inventory controls

Competition among suppliers

Obtaining informal quotes on all purchases and services

State statute does not provide for any particular purchasing procedures to be followed.



Contracts and Bidding

Advertise for bids on all contracts exceeding \$35,000 (15-1-113)

New automobile/truck purchase must be advertised for bids

Statute sets publishing requirements

Lowest responsible bidder wins (exception for professional services)

Can require financial guarantees

Design-build or construction-manager-at-risk

Wyoming law requires all cities and towns to advertise for bids on all contracts for any type of public improvement if the estimated expenditure exceeds \$35,000. (W.S. 15-1-113) A contract for the purchase of a new automobile or truck must be advertised for bids regardless of estimated cost. The advertisement for bids must be published twice in the designated municipal newspaper and the date, time and place when the bids will be received and publicly opened must be stated.

The contract must be awarded to the lowest responsible bidder unless the governing body finds that none of the bids are in the public interest (which might occur, for example, if all the bids are too high). Contracts must be executed by the mayor or, in his absence, the presiding officer of the governing body and the municipal clerk or designee of the governing body. Contracts for professional services are excluded from this requirement to bid.

Alternate design and construction delivery methods such as design-build or construction-manager-at-risk may be used by a public entity to design, construct, alter, repair or maintain public works projects. (W.S. 16-6-701 through 16-6-708).



Bill Payment

Itemized invoice from vendor required

Written claims

Certified by vendor

Budgetary appropriation required

Approval of claims; issuance of check

Signing of checks

15-1-125 covers presentation and payment of claims

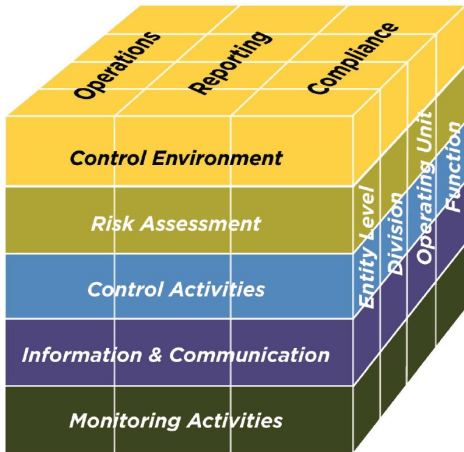
WSS 15-1-125 covers presentation and payment of claims

Disbursements shall be made by warrants signed by designated officials and countersigned by Mayor.

No payment of claim can be made until claim certified and approved by governing body.

All claims against a municipality have to be presented to the governing body by itemized invoice from a vendor. No expenditure can be made by the governing body unless a budgetary appropriation has been made. No payment can be approved by the governing body unless the claim is certified by the vendor or an authorized employee of the municipality receiving the items or services rendered. Once the claim has been approved, the treasurer shall issue a check or warrant, signed by the mayor and countersigned by any other authorized person. A warrant contains the particular fund or appropriation to which chargeable, the person to whom payable and the purpose. Facsimile signatures may be used as provided by W.S. 16-2-101 through 16-2-103.

Internal Controls Are Key to Financial Management



Wyoming Municipal Handbook recommends that municipalities use the COSO* Framework for internal controls

COSO 2013 Integrated Framework is most current version

**The Committee of Sponsoring Organizations of the Treadway Commission*

Internal Controls reduce risk of fraud

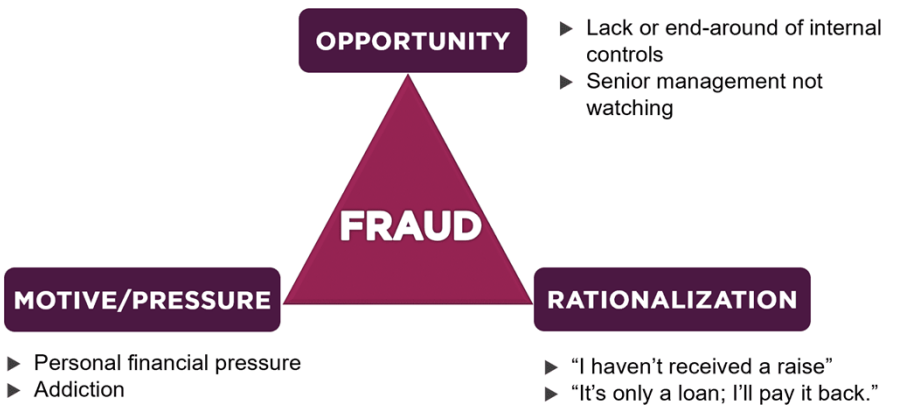
Internal controls are processes designed to assure that objectives can be achieved

Adaptable to entity

Established and monitored by governing body or management

Effected by people

Risk management



This intentionally broad definition reflects certain fundamental concepts. Internal control is:

- Geared to the achievement of the objectives in one or more categories (operations, reporting, and compliance)
- A process consisting of ongoing tasks and activities – a means to an end, not an end in itself
- Able to provide reasonable assurance – but not absolute assurance, to an entity's senior management and board of directors
- Adaptable to the entity structure – flexible in application for the entire entity or for a particular subsidiary, division, operating unit, or business process

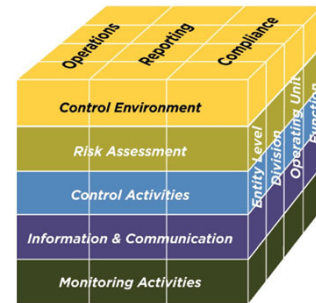
COSO Framework - Objectives

COSO Framework provides for 3 categories internal control:

Operations – effectiveness and efficiency of operations, including performance goals, and safeguarding assets against loss

Reporting – internal and external, financial and non-financial reporting as required by law, regulation, or policy

Compliance – These pertain to adherence to laws and regulations to which the entity is subject



COSO Framework provides for 3 categories of objectives, which allow organizations to focus on differing aspects of internal control:

- **Operations Objectives** – these pertain to effectiveness and efficiency of the entity’s operations, including operational and financial performance goals, and safeguarding assets against loss
- **Reporting Objectives** – These pertain to internal and external financial and non-financial reporting and may encompass reliability, timeliness, transparency, or other terms as set forth by regulators, recognized standard setters, or the entity’s policies
- **Compliance Objectives** – These pertain to adherence to laws and regulations to which the entity is subject

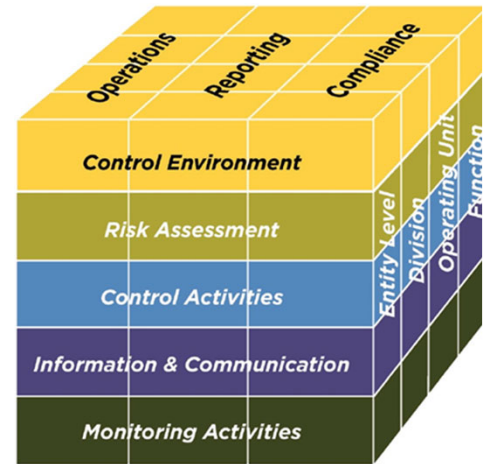
COSO Internal Controls

Control Environment

The **Control Environment** describes a set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. It is the foundation for internal control.

Principles:

1. Demonstrates commitment to integrity and values
2. Demonstrates independence and exercises oversight responsibility
3. Establishes structure, authority and responsibility
4. Demonstrates commitment to attracting, developing and retaining competent staff
5. Enforces accountability



The Control Environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization

Council and senior management establish the tone at the top regarding the importance of internal control, including expected standards of conduct

Management reinforces expectations at the various levels of the organization

The Control Environment comprises the integrity and ethical values of the organization; the parameters enabling the council to carry out its governance oversight responsibilities; the organizational structure and assignment of authority and responsibility; the process for attracting, developing, and retaining competent individuals, and the rigor around performance measures; incentives and rewards to drive accountability for performance.

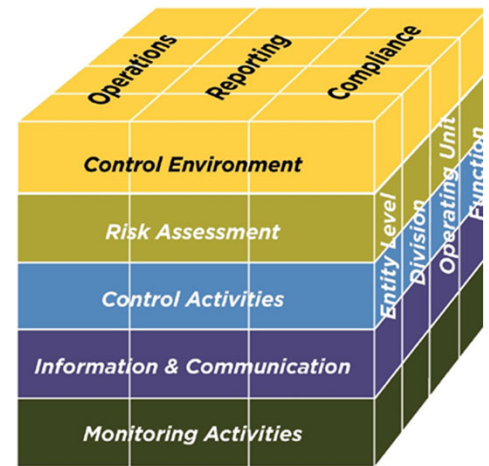
The resulting Control Environment has a pervasive impact on the overall system of internal control

COSO Internal Controls *Risk Assessment*

The **Risk Assessment** forms the basis for determining how risks will be managed. A risk is defined as the possibility that an event will occur and the measure of how adversely affect the achievement of organizational objectives.

Principles:

6. Specifies suitable, specific objectives
7. Identifies and analyzes risks
8. Assesses fraud risk
9. Identifies and analyzes significant changes



The Control Environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization

Council and senior management establish the tone at the top regarding the importance of internal control, including expected standards of conduct

Management reinforces expectations at the various levels of the organization

The Control Environment comprises the integrity and ethical values of the organization; the parameters enabling the council to carry out its governance oversight responsibilities; the organizational structure and assignment of authority and responsibility; the process for attracting, developing, and retaining competent individuals, and the rigor around performance measures; incentives and rewards to drive accountability for performance.

The resulting Control Environment has a pervasive impact on the overall system of internal control

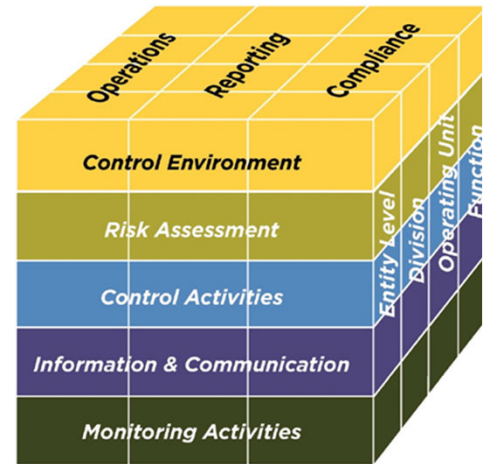
COSO Internal Controls

Control Activities

Control activities are actions (generally described in policies, procedures, and standards) that help management mitigate risks in order to ensure the achievement of objectives. Control activities may be preventive or detective in nature and may be performed at all levels of the organization.

Principles:

10. Selects and develops control activities that help mitigate risks
11. Selects and develops general controls over technology
12. Bases controls on thorough policies and procedures



The Control Environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization

Council and senior management establish the tone at the top regarding the importance of internal control, including expected standards of conduct

Management reinforces expectations at the various levels of the organization

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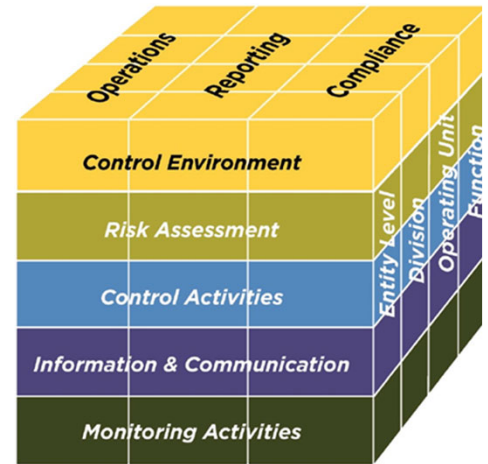
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COSO Internal Controls *Information & Communication*

Information is obtained or generated by management from both internal and external sources in order to support internal control components. *Communication* based on internal and external sources is used to disseminate important information throughout and outside of the organization, as needed to respond to and support meeting requirements and expectations.

Principles:

13. Uses relevant, high-quality information
14. Communicates internally to support controls
15. Communicates externally



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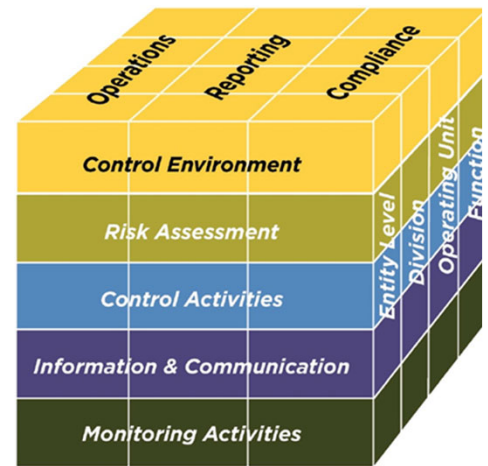
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COSO Internal Controls *Monitoring Activities*

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Internal Controls should be everywhere



- Preventing fraud, theft, abuse
- Segregation of duties
- Cash handling
- Billing and accounts receivable
- Purchasing and accounts payable
- Personnel and payroll
- Inventory and Capital assets
- Debt
- Grant administration

Internal controls are necessary to protect the people's assets against misuse or loss and to make sure that all financial transactions are legal and authorized. The key is to divide duties and to have more than one person review investment and spending decisions.

I can think of no activity – insider trading included – which can do greater damage to investor confidence than “cooked books.” “Cooked books” cause false financial statements; if the financial statements are false, it is impossible for the narrative portion of any disclosure document to be accurate; and the entire disclosure process is therefore totally undermined. The eradication of “cooked books” deserves the highest priority in both the private and public sectors. I hope it will receive that priority.

James C. Treadway





Questions
about Financial
Management?

Thank You!

This presentation was prepared by Community Builders, Inc., a Wyoming-based consulting firm specializing in community and economic development, under contract and in cooperation with the Wyoming Association of Municipalities.

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Building Strong Communities

